



City of Chico
Fiscal Year 2008~09
4th Quarter Financial Update

City Council Meeting
October 6, 2009

4th Quarter Financial Update

- FY08-09 Preliminary Results
- April-June Sales Tax Results
- Status of Deficit Reduction Strategy
- FY09-10 Outlook

FY08~09 Preliminary Financial Results



FY08~09 Preliminary Results – General & Park Funds

- The General & Park Funds are on target with an ending fund balance of \$2.69M
 - compared to Budget of \$2.68M
- Emergency Reserve balance = \$6.8M
 - 69% of Desired Reserve balance, per Budget Policy
- Tax Revenues \$485k below budget
 - Sales Tax -\$598k below budget
 - Property Tax -\$243k below budget
 - Utility Users Tax +\$301k over budget
- Operating Expenditures \$1.3M below budget

FY08~09 Preliminary Results – General & Park Funds

General & Park Funds FY2009-10 Adopted Budget			
As of 9/22/09	Preliminary Actuals 2008-09	Modified Adopted Budget 2008-09	Variance From Budget
Tax Revenues	37,654,655	38,139,206	-484,551
Other Revenues	4,083,338	3,998,535	84,803
Transfers In	5,666,874	6,650,482	-983,608
Total Sources	47,404,867	48,788,223	-1,383,356
Salaries & Benefits	38,680,439	38,912,804	-232,365
Other Expenses	<u>9,286,696</u>	<u>10,398,151</u>	<u>-1,111,455</u>
Total Operating Expense	47,967,135	49,310,955	-1,343,820
Capital Improvements	339,089	379,138	-40,049
Transfers Out	1,154,558	1,163,499	-8,941
Total Uses	49,460,782	50,853,592	-1,392,810
Beginning Fund Balance	4,746,890	4,746,890	0
Ending Fund Balance	2,690,975	2,681,521	9,454

FY08~09 vs. FY07~08

General & Park Fund Revenue

- General/Park Revenue vs. prior year

Sales Tax = -10.0%

Property Tax = +6.4%

UUT = +2.4%

TOT = -3.4%

Other Taxes = -5.2%

All Other Revenue = +3.5%

Total General/Park Revenue = -2.2%

April – June 2009 Sales Tax Results

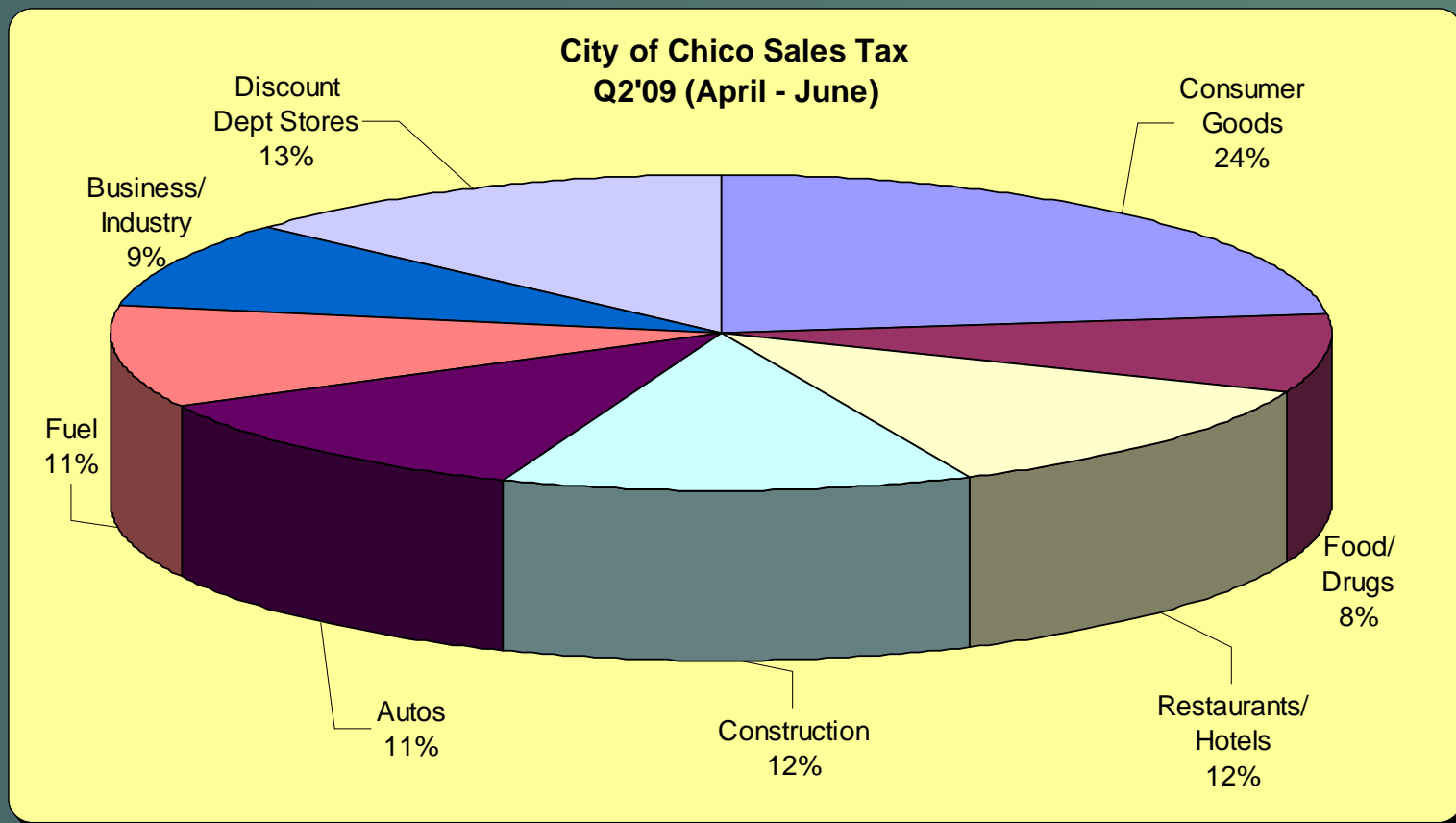


Q2'09 (Apr~Jun) Sales Tax Results

- Sales Tax Revenue for Q2'09 declined by 19% (or \$793k) from Q2'08
 - Largest decline from Fuel Sector (-44% or \$285k)
 - 2nd largest decline from Autos (-34% or \$200k)
 - 10th consecutive decline (since Dec'06)
 - Minimal growth in Discount Dept Stores (+0.5%) & Food/Drug Stores (+0.6%)
- Year-to-Date Sales Tax down 10% from 07-08, for a decline of \$1.7M in revenue

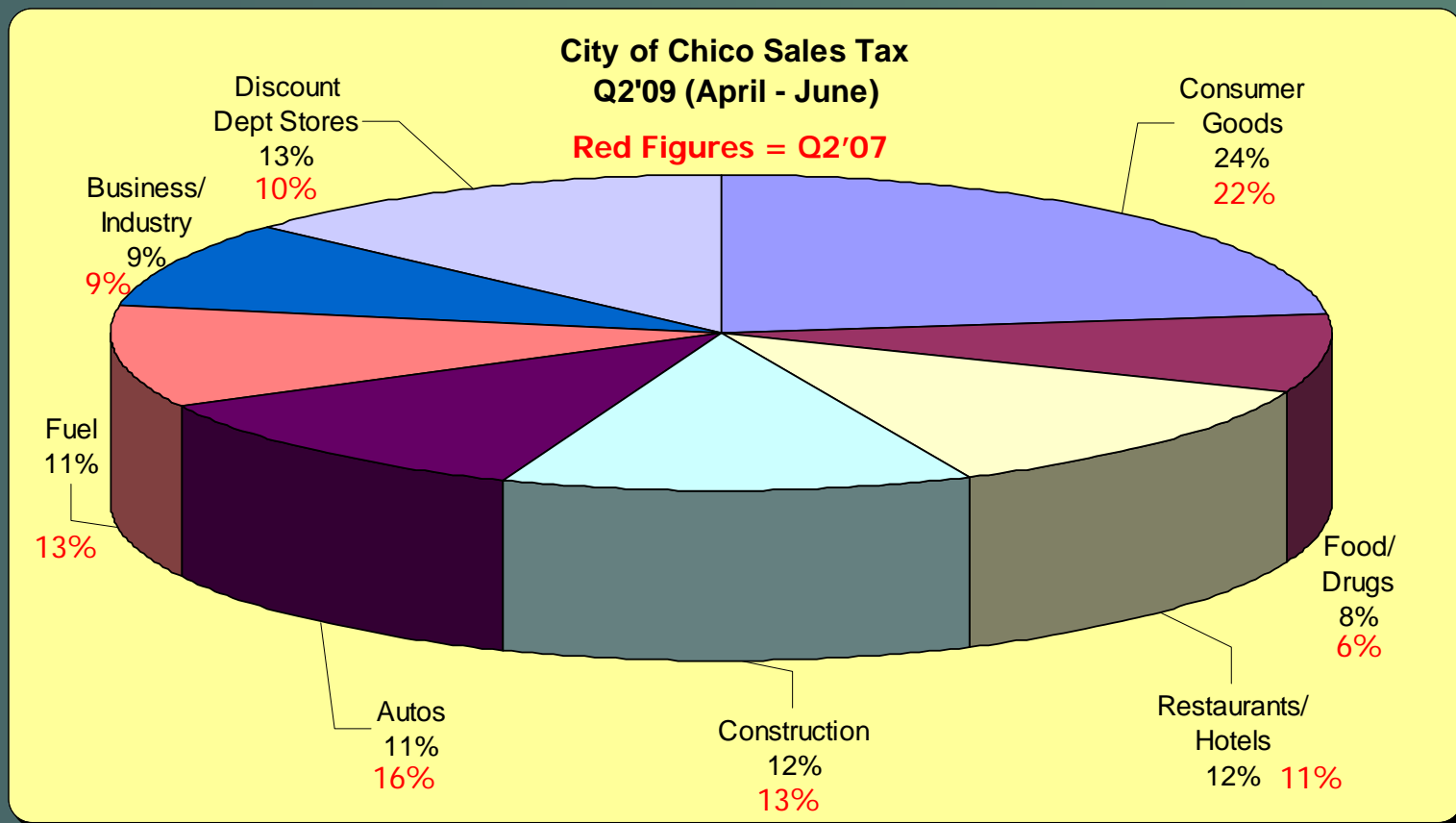
Q2'09 (Apr~Jun) Sales Tax Results

- Tax base remains well diversified



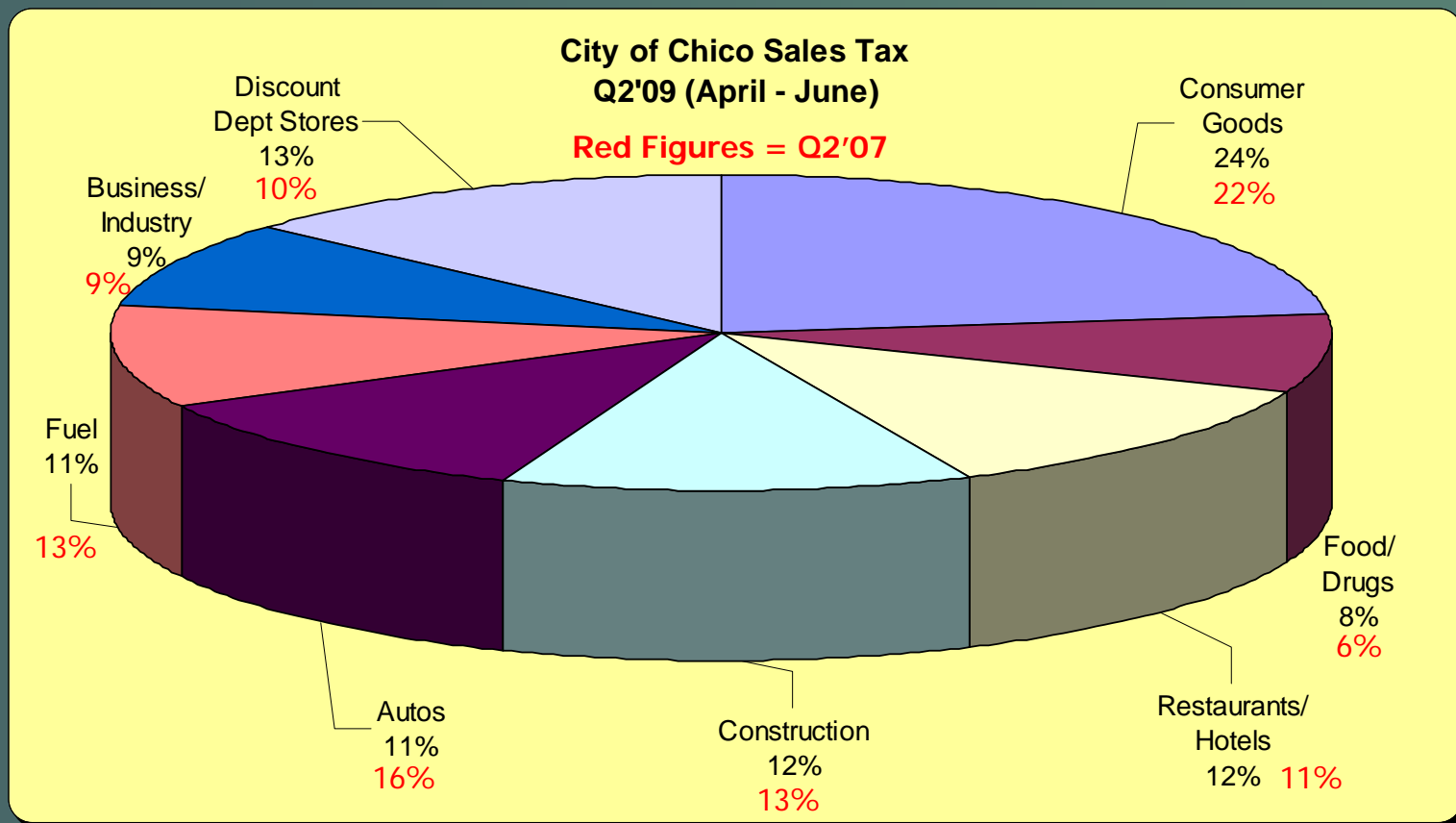
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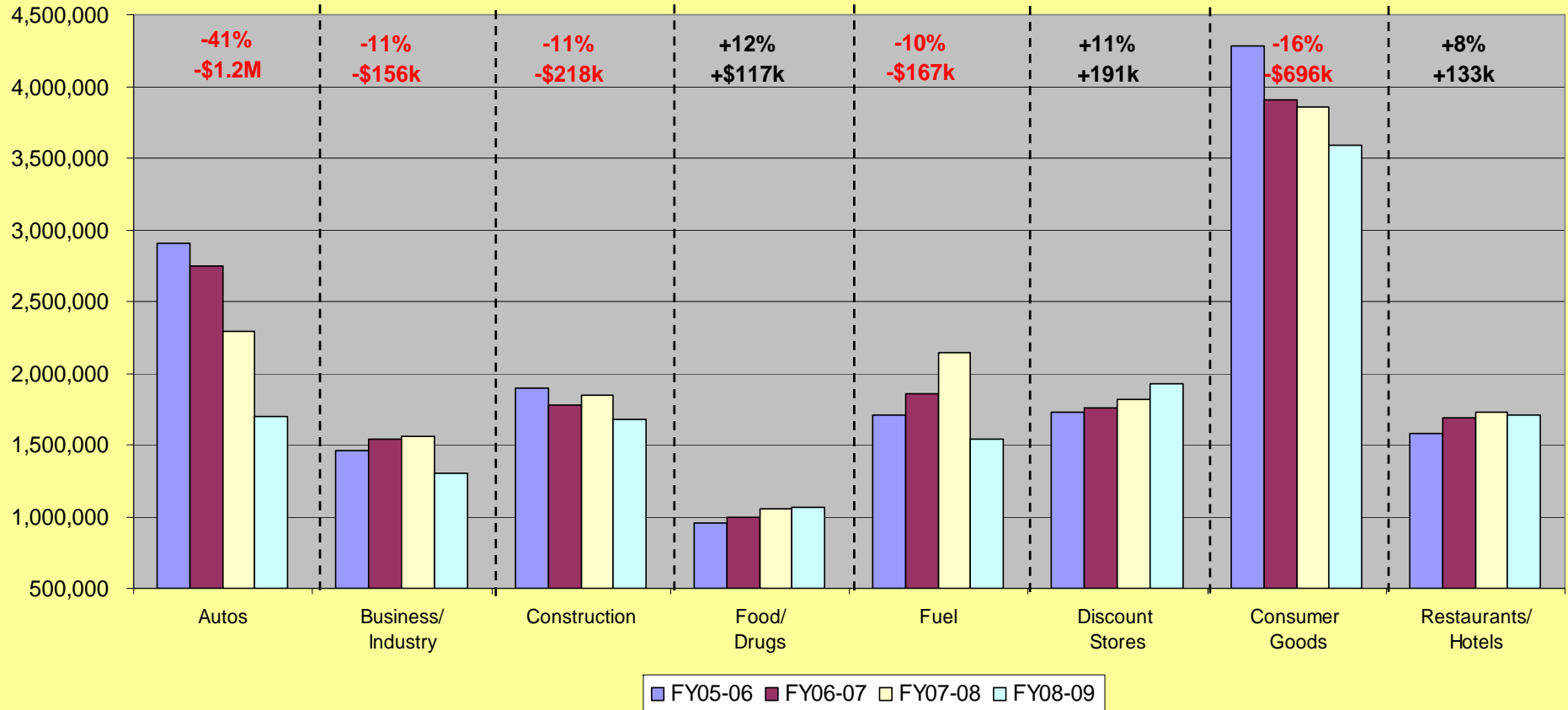
- Tax base remains well diversified



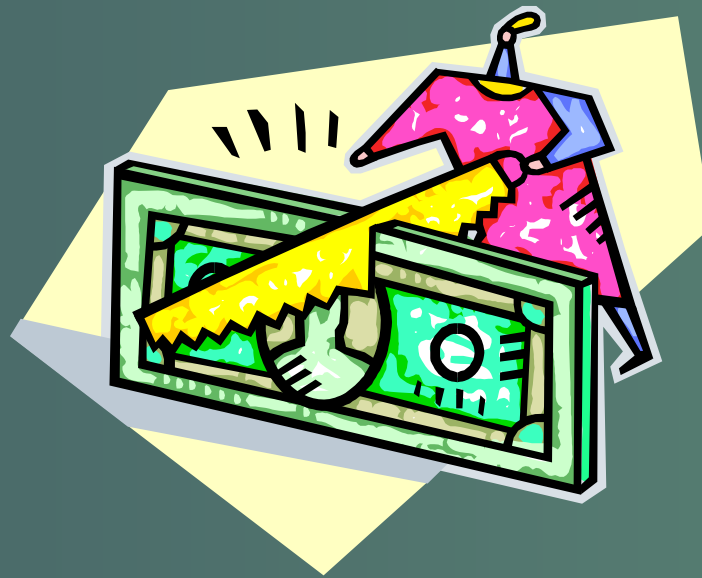
Shift in Spending: Autos/Fuel/Construction → Discount/Food/Consumer Goods

Q2'09 (Apr~Jun) Sales Tax Results

City of Chico
Sales Tax Trends - By Business Sector



Status of Deficit Reduction Strategy

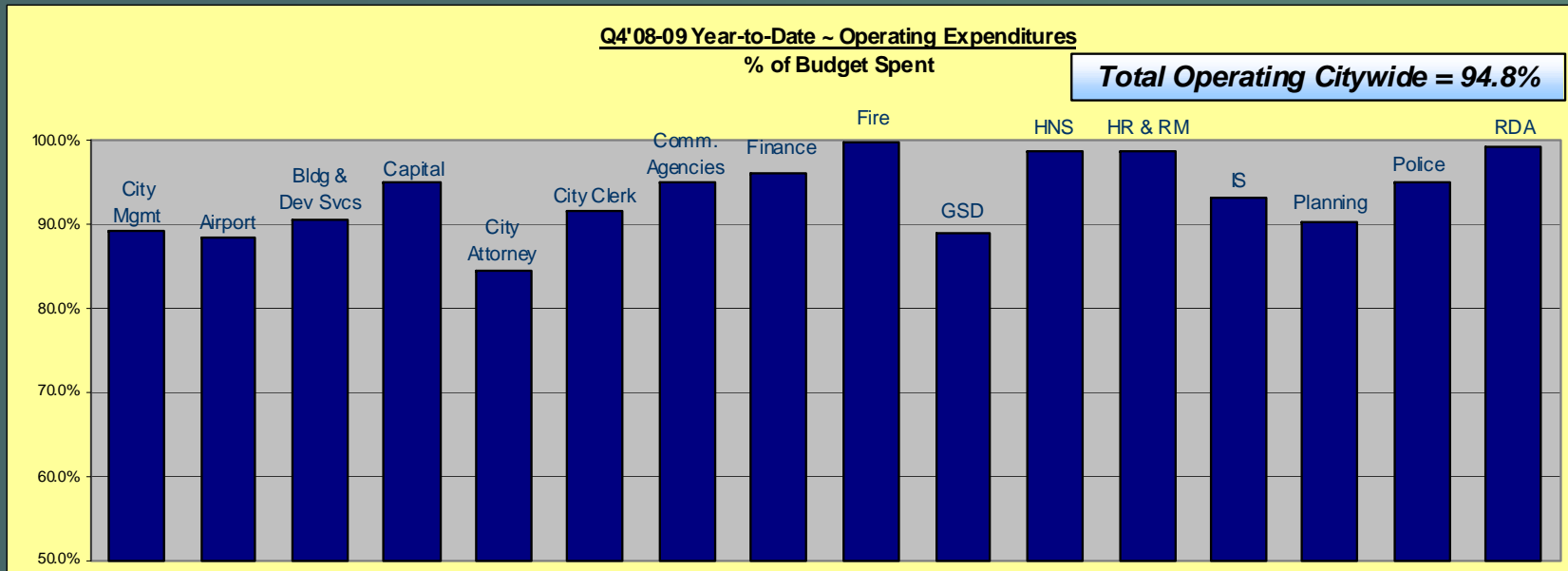


Deficit Reduction Strategy

- Spending Trends significantly reduced
 - Prior 5-year average growth rate in Gen/Park Fund Operating = +8.8%/year
 - FY08-09 growth rate = -0.7%
- 23 positions eliminated through attrition (5% of permanent workforce)
 - no lay-offs
- 8 vacant positions currently “on hold”
 - Hiring suspension still in place

FY08~09 Preliminary Results – Citywide Operating Expenditures

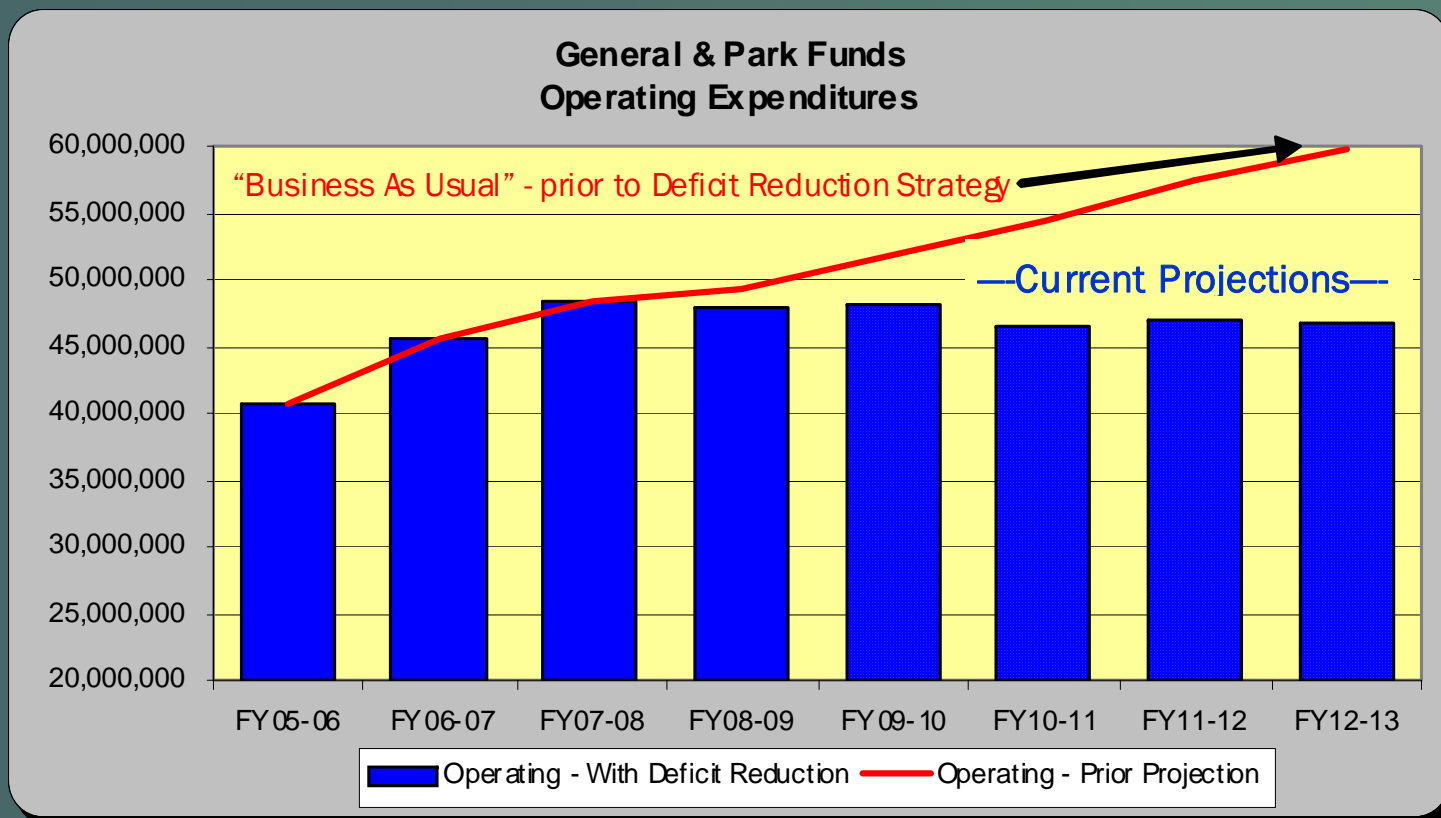
- Deficit Reduction Strategy a success!



- Citywide Expenditures \$5.4M below targeted budget reductions

Deficit Reduction Strategy

- Spending Trends significantly reduced



FY09~10 Outlook



FY09-10 Outlook

- Continued fiscal challenges
 - Sales Tax declines
 - Flat Property Tax projections
- State-imposed budget impacts
 - General Fund = \$1.2 million
 - Redevelopment = \$11.1 million (over 2 yrs)

FY09-10 Outlook

- \$1.2 million hit to General Fund
 - Structured as a “loan” to the State
 - To be repaid in 3 yrs with interest
 - Possibility of selling this receivable to access the funds during FY09-10
 - Proposition 1A Securitization program, sponsored by California Communities
 - If securitization program does not pass, City will need to use Emergency Reserve Funds

FY09-10 Outlook

- \$11.1 million hit to Redevelopment
- California Redevelopment Association is filing a lawsuit against the State
- If lawsuit fails, the RDA will need to remit payment by 5/10/10 (\$9.2M FY09-10 & \$1.9M FY10-11)
- Funding Plan includes;
 - Use of available reserves (\$2.6 million)
 - Capital Project delays (\$2.5 million)
 - Reimbursement for bond-eligible projects (\$6.0 million) ²⁰

RDA State Take Funding Plan

Projects Delayed

	<u>FY09-10</u>	<u>FY10-11</u>	<u>Total</u>
State Take of Redevelopment Funds	9,239,231	1,900,000	11,139,231
Available Fund Balance (Fund 352)	1,525,637	496,413	
Projected Fund Balance carry over from 08-09 (Fund 352)	600,000		2,622,050
90091 - Economic Development-Industrial Loan Program	345,688		
90092 - Commercial Rehabilitation Program	215,000		
17919 - Fire Hydrant Installations for Annexations	49,368	49,368	
17008 - Public Infrastructure Improvements		79,500	
16014 - Alamo Ave Traffic Signal		50,000	
16015 - Guynn Ave Traffic Signal		44,100	
17301 - Avenues Neighborhood Improvements		600,000	
50140 - Southwest Neighborhood Improvements		440,000	1,873,024
Suspend Arts Set-Aside	168,067	171,209	
99804 - Collaborative Art Project	180,000		
Set-Aside for Signature Art Project	150,000		669,276
Reimbursement from Fund 357 - 2005 Bonds			
12060 - Stansbury Restroom/Carriage Barn	299,008		
16040 - Ringel Park Renovation	273,813		
00878 - Humboldt Road Burn Dump	5,408,464		5,981,285
	9,215,045	1,930,590	11,145,635

RDA State Take Funding Plan

Projects Delayed

	FY09-10
Project delays to fund Reimbursement to Fund 352	
Available Fund Balance	1,407,330
00813 - Notre Dame-Humboldt to LCC	33,617
16037 - East Ave Median	263,843
18053 - Park Ave Median	22,000
50104 - Chico Municipal Airport Infrastructure	1,000,000
16036 - SHR 99/Skyway Interchange	1,000,000
16025 - Fire Station No. 6	2,002,822
15010 - SHR32 Widening	400,000
Total Funding	6,129,612

~\$6.0 million of this total will be used to reimburse Fund 352 for prior bond-eligible project expenditures

- ❑ Supplemental Appropriation No. RDA 09-10 02 includes the budget adjustments noted above.

FY09-10 Outlook

- General & Park Fund Revenue Budget Assumptions (compared to FY08-09)

Sales Tax = -8.0%

Property Tax = -2.5%

Utility Users Tax = -5.0% (gas & electric)

Transient Occupancy Tax = -15%

Total Revenue = \$39,413,339

FY09-10 Outlook

■ General & Park Fund Revenue Budget Assumptions (compared to FY08-09)

Sales Tax = ~~-8.0%~~ -10.0%

Property Tax = ~~-2.5%~~ -0.0%

Utility Users Tax = ~~-5.0%~~ (gas & electric) -0.0%

Transient Occupancy Tax = ~~-15%~~ -5.0%

Total Revenue = ~~\$39,413,339~~ \$39,394,030

Despite fluctuations in Tax Revenue line items, with the information we currently have, the bottom line will meet the Budget projection.

FY09-10 Outlook

- Staff will continue to monitor the economic impacts of local furloughs, enrollment reductions, lay-offs as well as further declines in tax revenue.
 - Will implement Budget Contingency Plan if further declines are realized
- Q1'09-10 Financial Report to be provided at the 11/17/09 Council meeting.

Questions?

